



APPENDIX I**Provisions of Missouri Insurance Code Involved, from
Revised Statutes of Missouri, 1939.***Sec. 6052. Proceedings to wind up companies.*

Whenever it shall appear to the superintendent of the insurance department, from any examination made by himself, or from the report of a person or persons appointed by him, or from the statements of the company, or from any knowledge or information in his possession, (1) that the capital stock or guarantee fund of any company heretofore or hereafter incorporated or organized under the laws of this state doing in this state any kind of an insurance business is impaired, or (2) that such company is insolvent, or (3) that such company has refused to submit its books, papers, accounts or affairs to the reasonable inspection of the superintendent or his deputy or his examiner, or (4) that such company has, by contract of reinsurance or otherwise, transferred or attempted to transfer substantially its entire property or business, or entered into any transaction, the effect of which is to merge substantially its entire property or business in the property or business of any other corporation, association, society, order, partnership or individual without first having obtained the written approval of the superintendent of insurance as provided by law, or (5) that such company is found, after an examination, to be in such condition that its further transaction of business will be hazardous to its policyholders or to its creditors or to the public, or (6) that such company has willfully violated its charter provisions or any other law of the state, or (7) that such company has an officer who has refused to be examined under oath touching its affairs, or (8) that such company is organized under Articles 2, 3, 4, 5, 6, 7, 8 or 11 of this chapter and is found

to be in such condition after examination that it could not meet the requirements for incorporation and authorization specified in the law under which it was incorporated or is doing business, or (9), that such company has ceased to transact the business of insurance for a period of one year, said superintendent may institute a suit or proceedings in the circuit court in the county or city in which such company was organized or in which it has or last had its principal or chief office or place of business or in the county of Cole, to enjoin said company from further prosecution of its business, either temporarily or perpetually, or for a judgment dissolving such corporation or for both; and after the entry of such decree or judgment, the court upon the motion of the superintendent of the insurance department may order the liquidation, settlement and winding up of the affairs of such company or the rehabilitation of such company as provided in this chapter, together with such other decrees and orders in connection therewith as the court shall deem advisable. (R. S. 1929, §5941. Reenacted, Laws 1933-34, Ex. Sess., p. 65.)

Sec. 6053. Manner of commencing suit.

Such suit shall be commenced by filing a petition in the name of the superintendent of the insurance department of this state, as plaintiff, against the company, proceeded against as defendant, and said petition shall contain a brief statement of the condition of the company proceeded against, or of the causes upon which the proceeding is based; it may also contain a prayer for temporary or permanent injunction, or for both, and shall conclude with a prayer for general relief, under which prayer the court may grant any relief or issue any injunction or writ, and make any decrees or orders, under and within the provisions of this chapter, as shall be found advisable or necessary. (R. S. 1929, §5942.)

Sec. 6054. Of the issuing, service and return of process.

Upon the filing of such petition, the clerk of the court shall forthwith, and of course, issue a summons, requiring the defendant to appear before the court, if it be in session, or before any judge thereof, if the court has either adjourned for the term or to a day beyond three days from the date of issue of said summons, and to answer the petition on the return day of said summons. Said summons shall be returnable in three days after its issue, and shall be served as provided by law for service of process upon corporations in civil cases. If an injunction is prayed for, the petition shall be presented to the circuit court, or judge thereof, and the court or judge to whom it is presented shall thereupon make an order for the issuing of an injunction, providing its term and fixing the return day of the summons, which shall not exceed three days from its date; and upon such order being made, the petition shall thereupon be filed in the clerk's office, and the writ of injunction shall issue, together with the summons as above provided. Any writ of injunction issued under this law may be served and enforced as provided by law in injunctions issued in other cases, but the superintendent of the insurance department shall not be required to give any bond as preliminary to or in the course of any proceedings to which he is a party as such superintendent, under this chapter, either for costs or for any injunction, or in case of appeal to either the supreme court or to any appellate tribunal. If the first summons issued be not served, then other summons may issue, returnable as the court or judge may direct; or the court or judge to whom said petition has been presented, or who has jurisdiction of the case, when satisfied by the affidavit of the superintendent, or of any other person, either when the petition is first presented or afterward, or on return of any summons unserved, that for any cause personal service cannot be made on said company within the three days, may order the

company proceeded against to be notified of the institution of the suit, its nature, and of the return day of the summons, which in such case shall not be less than fifteen nor more than twenty-three days from the date thereof; and thereupon the clerk shall cause notice to be published in some newspaper published in the city or county in which the suit is pending - if there be a daily paper, then in such paper for ten days consecutively; or if there be no daily paper, then a weekly paper three times successively - in either case the last publication to be at least three days before the summons is returnable. Proof of such publication shall be made as provided by law for like notices in civil cases. (R. S. 1929, §5943.)

Sec. 6055. Proceedings on return of process.

Upon the return of such process duly served, or proof of such publication made, the petition shall be heard summarily before said court or a judge thereof, who may, at such hearing, or at any time thereafter, for cause shown, dissolve, modify or continue the injunction: *Provided, however,* that before the defendant shall be permitted to make any such motion, or to be heard on any motion it shall first have answered the petition. If, on the return day of the summons, the defendant shall enter its appearance to the action, and apply for further time in which to answer, the court or judge may extend the time for answering to not exceeding three days from said return day. If the defendant fails to answer on the return day, or within the time granted it as above, or fails to appear, the court or judge shall, on motion of the plaintiff, proceed to hear, determine and adjudge the cause, as herein provided, and thereafter proceed in such cause as herein provided. The pleadings and proceedings, in so far as not otherwise regulated by this chapter, shall be as in other civil causes. All pleadings shall be filed within the time herein provided, or as designated by the court or judge, and without regard to terms of the court

as to the time of filing the same; nor shall the adjournment of the court for a term work a postponement of proceedings hereunder to the next term, but the same may be had in vacation as well as term time, and any orders made in vacation or by the judge shall be entered up as of a special term. (R. S. 1929, §5944.)

Sec. 6056. Hearing by the court.

The court or judge, on the return day of the summons, shall set the case for hearing on some day not exceeding five days from the return day. All pleadings shall be made up and filed at or before said day for hearing, and the judge or court shall, without the intervention of a jury, and without unnecessary delay, proceed to hear and determine said cause; or on motion of the plaintiff, but in no other case, the judge or court may, on the return day, refer the hearing of the case to a referee, with power to hear the testimony and report his conclusions on the same to the court or judge. If the case is referred, the referee shall forthwith proceed to hear the same, and shall file his report within ten days after the conclusion of the testimony. Any referee failing to at once proceed with the hearing, or to file his report within the time aforesaid, may be removed by the court or judge, in which case he shall not receive any pay or allowance whatever for his services; and the court or judge may thereupon hear the case or appoint a new referee. The fees of the referee shall be taxed and paid as costs in the case. The referee may be allowed for his services not exceeding one dollar and fifty cents for each hour actually spent by him in hearing the testimony in the case, and for taking down the testimony and writing out the same in his report, not exceeding fifteen cents per each hundred words in his report, no pay or allowances whatever being made for exhibits or their contents, or for figures or numerals; and in addition to the above, he may be allowed a fee of not exceeding one hundred dollars

for his services in making his report; besides these, no other fees or allowances shall be taxed in favor of the referee or anyone employed by him, and he shall pay his own clerk or reporter, if he employ one. Exceptions to the report of the referee may be filed by either party. If no exceptions are filed within three days after the report is presented to the court or judge, it shall be confirmed, and judgment entered thereon. In a hearing before the court or judge, or referee, certified copies of the statement made by the company proceeded against, or of reports of examinations of the company made by the superintendent, or persons appointed by him, shall be received, if offered by the superintendent, as *prima facie* evidence of the facts therein contained pertaining to the condition and affairs of the defendant. If the finding be for the defendant, it shall be lawful for the superintendent to appeal the case. If the finding be for the plaintiff, the court shall enjoin the company, either temporarily or perpetually, from the further prosecution of its business, or the court shall render judgment dissolving the company, or the court may render both such decree and judgment. Such decree or judgment shall, for all purposes of an appeal, be considered a final judgment, and the defendant may appeal from the same as in other civil cases: *Provided*, the appeal be prayed for and perfected within five days after such judgment, and that the bond shall be for such an amount as the court may fix; and *provided*, that no appeal nor *supersedeas* bond shall operate as a dissolution of an injunction or judgment, if one has been issued. (R. S. 1929, §5945. Re-enacted, Laws 1933-34, Ex. Sess., p. 65.)

Sec. 6057. *Insurance superintendent to take charge - when.*

If the superintendent of the insurance department shall apply, either at the time of or after the filing of the petition referred to in section 6052, R. S. of Mo. 1939, the

court may, if the court deem it necessary, authorize him to temporarily take charge of the property of the defendant and to receive its premiums and other income until a final decree is rendered. (R. S. 1929, §5946. Re-enacted, Laws 1933-34, Ex. Sess., p. 65.)

Sec. 6058. Title of assets to vest in superintendent.

Upon the rendition of a final judgment dissolving a company, or declaring it insolvent, all the assets of such company shall vest in fee simple and absolutely in the superintendent of the insurance department of this state, and his successor or successors in office, who shall hold and dispose of the same for the use and benefit of the creditors and policyholders of such company and such other persons as may be interested in such assets. (R. S. 1929, §5947.)

Sec. 6059. Disposition of assets.

If the court directs the superintendent of the insurance department to liquidate, settle or wind up the affairs of such company, said superintendent shall take immediate possession of the assets, books and papers of such company, and unless disposition of the assets of said company is made by a reinsurance agreement as may be provided by law, he shall sell and dispose of the real estate and other property of such company, subject to the approval of the court, and may execute in his own name, as superintendent of the insurance department, all necessary and proper conveyances of the same; he may also, in his own name as such superintendent, maintain and defend all actions in the courts of this or any other state, or of the United States, relating to such company, its assets, liabilities and business. (R. S. 1929, §5948. Re-enacted, Laws 1933-34, Ex. Sess., p. 65.)

Sec. 6060. Allowance of demands—commissioners appointed.

The court or judge in or before whom the case is pending, upon the application of said superintendent, shall limit and may extend the time for the presentation of claims against such company, and notice thereof shall be given in such manner as said court or judge shall direct; and any creditor neglecting to present his claim within the time so limited shall be debarred of all right to share in the assets of such company. Said court shall appoint one or not more than three disinterested persons as commissioners to receive and decide upon the claims presented against such company, who shall give notice of the times and places of their meeting for that purpose, in such manner as said court shall prescribe, and within one month after the expiration of the time so limited, shall file with the clerk of said court a list of the claims presented to them, specifying those allowed, the amount allowed and those disallowed (R. S. 1929, §5949.)

Sec. 6061. Duties and powers of superintendent.

If the court directs or orders the superintendent of the insurance department to rehabilitate an insurance company, upon the rendition of such an order, the title and right to possession of its books, papers, records, property and assets, of whatsoever kind or nature, shall immediately vest in and pass to the superintendent of the insurance department, and said superintendent shall forthwith proceed to conduct the business of such insurance company and take all proper steps to remove the causes and conditions which have made such proceedings necessary, subject, however, to the orders of the court. Said superintendent may, subject to the approval and direction of the court, sell and dispose of any of the property of such company, may borrow money on the security of such property, may execute in his own name as superintendent of the insurance department all necessary and proper

instruments and conveyances, and may also in his own name as such superintendent, maintain and defend all actions in the courts of this or any other state or states of the United States relating to such company, its assets, business and liabilities. If at any time, in the opinion of the superintendent of the insurance department, a further continuance of the order of rehabilitation would be futile, he may apply to the court for an order to liquidate, settle or wind up the affairs of such company, or if at any time during the continuance of such order of rehabilitation the cause for any such order or like order has actually been removed, the superintendent of the insurance department or any interested person, upon due notice to such superintendent, may apply for an order terminating the proceedings and permitting such insurance company to resume title and possession of its property and the conduct of its business, but no such order shall be granted except when, after a full hearing, the court shall determine that the purpose or purposes of the proceedings have been fully accomplished. (R. S. 1929, §5950. Re-enacted, Laws 1933-34, Ex. Sess., p. 65.)

Sec. 6062. Distribution of assets.

Unless reinsurance of a dissolved company is effected and its assets conveyed to the reinsuring company as provided by law, and unless such dissolved company is being rehabilitated under other sections of this article, the superintendent of the insurance department, under the direction of said court, shall apply the sums realized from the assets of such dissolved company, first, to payment of all the expenses of closing the business and disposing of the assets of such company; second, to the payment of all lawful taxes and debts due the state and the United States and the counties and municipalities of this state; third, to the payment of the death losses and matured policy claims; fourth, to the payment of the debts and claims allowed against such company, and the unearned premiums and

the surrender value of its policies, in proportion to their respective amounts; and lastly, any sums remaining in the hands of said superintendent, after the payments have been made in full as herein provided, shall be disposed of in such manner as said court shall order and direct: *Provided, however*, that if the company is a life insurance company, and has deposits for policyholders, or for the security of registered policies or annuity bonds, such deposits shall be disposed of as in this chapter is specially provided in respect to the same. And said court may make all orders and decrees necessary and proper in reference to the title, possession, disposition and distribution of all assets, and the allowance and satisfaction of claims against said company, and in any other matter relating to its affairs and business. In case of a conflict of interests on any matter, or concerning the enforcement or settlement of any conflicting claims between two or more dissolved insurance companies, the settlement and winding up of whose affairs shall be under the charge of the superintendent, it shall be the duty of said superintendent, and the right of any person interested in any of the said companies, to report the fact of conflict and the question or questions involved to the court in which any of the causes is pending, and such court shall thereupon have power to appoint a trustee, to have charge and control of the interests of any of said companies as regards the settlement or enforcement of its claims in respect to the matter in controversy, or to make such other orders providing for the settlement, adjustment or enforcement of the rights of said company in said matter as to the court shall seem best adapted to the protection of the rights of all; and *provided further*, that nothing in this section shall be construed to authorize a distribution of the assets of a company already dissolved, so that creditors whose right to a ratable distribution of the assets of said company which has been fixed and determined by such dissolution shall be deprived of such right. (R. S. 1929, §5951. Re-

enacted, Laws 1933, Ex. Sess., p. 65; Amended, Laws 1939, p. 457.)

Sec. 6063. Superintendent to take charge of assets.

Whenever, by this chapter, or by any other law of this state, the superintendent of the insurance department is authorized or required to take possession of the assets of any insurance company, any person or company who shall neglect or refuse to deliver to said superintendent, on his order or demand, any books, papers, evidences of title or debt, or any property belonging to any such company in its, his or their possession, or under his, its or their control, shall be punished by a fine of not more than ten thousand dollars, or if an individual, by imprisonment in the county jail for not exceeding two years, or in the penitentiary for not exceeding three years, or by both said fine and imprisonment. (R. S. 1929, §5952.)

Sec. 6064. Reinsurance of dissolved companies.

Whenever any decree enjoining a company perpetually from further prosecution of its business or judgment of dissolution is rendered or granted under the provisions of this article, the superintendent of the insurance department may make or cause to be made, a report verified by affidavit, showing the actual condition of such company. Whenever such report shall show facts warranting, in the opinion of the superintendent of the insurance department, the reinsurance of the risks of such company, then, subject to the approval and direction of the court said superintendent shall proceed to reinsure such risks on the best terms obtainable for all persons interested. (R. S. 1929, §5953. Reenacted, Laws 1933-34, Ex. Sess., p. 65.)

Sec. 6065. Payment of expenses of proceedings.

In proceedings to enjoin, rehabilitate, dissolve, wind up or otherwise settle the affairs, and dispose of the assets of insurance companies, the superintendent of the insurance department shall receive no fees nor compensation for any services personally performed by him. He shall have power and authority, however, in such cases, and through the course of the whole case, to employ the necessary legal counsel and assistance, and clerical and actuarial force, subject to the approval of the court as to the amount of compensation to be paid them, and the expenses of such employment, together with all necessary expenses in the settlement of the business of the company, or the collection, disposition or distribution of its assets shall be taxed as costs, and paid by the superintendent out of the assets of such company; or, in case it is reinsured, by the reinsuring company, or if the company proceeded against has no assets, then as by law in such cases provided, to the persons doing the work and rendering the service. The superintendent shall keep a full account of all receipts and disbursements, and make report of the same to the court having jurisdiction thereof at least once in twelve months, and oftener if required by the court and shall be responsible on his official bond for all assets coming into his possession. The court may, in its discretion, require of the superintendent a bond in addition to his official bond. (R. S. 1929, §5954. Reenacted, Laws 1933-34, Ex. Sess., p. 65.)

Sec. 6066. Receivers' reports.

In all cases where, under the provisions of the laws of this state, insurance companies have been heretofore or shall hereafter be dissolved and placed in the hands or charge of a receiver or receivers, or persons other than the superintendent, by decree of court or operation of this law, it shall be the duty of such receiver or receivers or persons to make full and complete itemized re-

ports, under oath, to the superintendent of the insurance department of all receipts and disbursements, and of the condition and affairs of the company or companies under their charge; such reports shall be made once in every three months; the first report made under this law shall be brought down to the first day of October, 1879, and shall embrace an itemized statement of all receipts and disbursements, and of all property and assets then on hand, and account for all on hand from the date of the appointment of such receiver until the date of such report; it shall be filed with the said superintendent on or before the fifteenth day of October, 1879; in case any receiver or receivers or persons shall fail to make such report within the time aforesaid, or to make any regular report as above required, the court, on motion of the superintendent, shall compel the same to be done. (R. S. 1929, §5955.)

Sec. 6067. Superintendent to have access to books, etc.

The superintendent may, at any time, have access to the books and papers of any receiver or other trustees, heretofore or hereafter appointed, for the purpose of examining his accounts, and may at any time be heard in person or by counsel on any matter affecting the administration of the affairs of such receiver or trustees. (R. S. 1929, §5956.)

Sec. 6068. Removal of receivers.

If any receiver or trustee heretofore appointed, and now charged with the winding up of the affairs of any insurance company, dies, resigns or is removed, the court shall thereupon turn the administration of its affairs over to and vest the title to all its property undisposed of in the superintendent of the insurance department, as by this chapter is provided in case of the dissolution of an insurance company; and thereupon said company's affairs and assets shall be disposed of in the same manner as in

this chapter provided. In the settlement of the affairs of insurance companies already dissolved and in the hands of the courts by its receivers the court shall, as far as possible, conform to and be governed by the provisions of this law. (R. S. 1929, §5957.)

Sec. 6069. Final settlement of receivers.

It shall be the duty of every receiver heretofore appointed and now in charge of the affairs of any insolvent company, and of the superintendent of the insurance department, when charged with the winding up of the affairs of any such company, to make, at least twice a year, to the court in which the cause is pending, and oftener, if the court shall so order, a full report, under oath, of the condition and affairs of such company; and if it shall appear to the court from such report that, after reserving an amount sufficient to pay the probable expense of winding up said company, there shall remain in the hands of such receiver or superintendent enough cash to pay at least ten per cent of the allowed claims, the court may order the same to be distributed according to the rights of the claimants. The superintendent and every such receiver shall make final distribution of the assets and final settlement of the affairs of each insolvent company, now or hereafter in his charge, and settlement of his accounts within the shortest time practicable, in no case to exceed three years from the date at which said company has been or shall be dissolved: *Provided*, that the court may, for good cause, extend the time for such final settlement, not more than two years. For the purpose of making final settlement the superintendent or receiver shall, at least three months before making the same, convert into money all assets remaining undisposed of, and distribute the same among those entitled thereto, under the order of the court. If, thirty days after such final settlement and distribution, any such receiver shall have in his hands any moneys unpaid or unclaimed, he shall pay the

same over to the superintendent of the insurance department, and if such moneys are not paid, or claimed by the parties entitled thereto, within one year thereafter, the same, as well as any such fund so remaining in the hands of the superintendent after like final settlement and distribution by him of the assets of any company in his hands, shall be paid into the state treasury, and held and disposed of as provided by law for escheats. Notice of such final settlement shall be given by publication in some newspaper published in the city or county in which such proceedings are pending, for at least four weeks prior thereto. (R. S. 1929, §5958.)

APPENDIX II.

Provisions of Missouri Insurance Code Relating to Reciprocal Insurance Associations from Revised Statutes of Missouri, 1939.

ARTICLE 11, CHAPTER 37.

INTER-INDEMNITY CONTRACTS--RECIPROCAL OR INTER-INSURANCE CONTRACTS.

Sec. 6078. Inter-indemnity contracts authorized.

Individuals, partnerships and corporations of this state, hereby designated subscribers, are hereby authorized to exchange reciprocal or inter-insurance contracts with each other, or with individuals, partnerships and corporations of other states and countries, providing indemnity among themselves from any loss which may be insured against under other provisions of the laws, excepting life insurance.

Sec. 6079. To be executed through attorney in fact.

Such contracts may be executed by an attorney in fact herein designated attorney, duly authorized and acting for such subscribers and such attorney may be a corporation. The office or officers of such attorney herein defined as an exchange, may be maintained at such place or places as may be designated by the subscribers in the power of attorney.

Sec. 6080. Application for licenses - requirements, etc.

Such subscribers so contracting among themselves shall, through their attorney, file with the superintendent of insurance of this state, a declaration verified by the oath of such attorney setting forth:

(a) The name or title of the office at which such subscribers propose to exchange such indemnity contracts. Said name or title shall not be so similar to any other name or title previously adopted by a similar organization or by any insurance corporation or association as in the opinion of the superintendent of insurance is calculated to result in confusion or deception.

(b) The kind or kinds of insurance to be effected or exchanged.

(c) A copy of the form of policy contract or agreement under or by which such insurance is to be effected or exchanged.

(d) A copy of the form of power of attorney or other authority of such attorney under which such insurance is to be effected or exchanged.

(e) The location of the office or offices from which such contracts or agreements are to be issued.

(f) That except as to the kinds of insurance hereinafter specifically mentioned in this subdivision, applications have been made for indemnity upon at least one hundred separate risks aggregating not less than one and one-half million (\$1,500,000.00) dollars represented by executed contracts or *bona fide* applications to become concurrently effective. In the case of employer's liability or workmen's compensation insurance, applications shall have been made for indemnity upon at least one hundred separate risks covering a total pay roll of not less than two and one-half million (\$2,500,000.00) dollars as represented by executed contracts or *bona fide* applications to become concurrently effective. In the case of automobile insurance applications shall have been made for indemnity upon at least one thousand motor vehicles or for insurance aggregating not less than one and one-half million (\$1,500,000.00) dollars represented by executed contracts or *bona fide* applications to become concurrently effective on any or all classes of automobile insurance effected by said subscribers through said attorney.

(g) That there is in the possession of such attorney and available for the payment of losses, assets conforming to the requirements of section 6083 hereof.

Sec. 6081. Superintendent of insurance to be authorized to accept service of legal process.

Concurrently with the filing of the declaration provided for by the terms of section 6080, the attorney shall file with the superintendent of insurance an instrument in writing, executed by him for said subscribers, conditioned that, upon the issuance of certificate of authority provided for in section 6087, service of process may be had upon the superintendent of insurance in all suits in this state arising out of such policies, contracts or agreements, which service shall be valid and binding upon all subscribers exchanging at any time reciprocal or inter-insurance contracts through such attorney. Three copies of such process shall be served, and the superintendent of insurance shall file one copy, forward one copy to said attorney, and return one copy with his admission of service.

Sec. 6082. Statement of condition and affairs may be required to be filed by superintendent - restriction on liability of members.

There shall be filed with the superintendent of insurance of this state, by such attorney, a statement under the oath of such attorney, showing in the case of fire insurance, the maximum amount of indemnity upon any single risk and such attorney shall whenever and as often as the same shall be required, file with the superintendent of insurance a statement verified by his oath to the effect that he has examined the commercial rating of such subscribers as shown by the reference book of a commercial agency having at least one hundred thousand subscribers and that from such examination or from other information in his possession, it appears that no subscriber has assumed on any single fire insurance risk an amount

greater than ten per centum of the net worth of such subscriber.

Sec. 6083. Reserves required - nature and amount guarantee funds - funds deposited to make up deficiency, how disposed of.

There shall be maintained at all times assets in cash or securities authorized by the laws of the state in which the principal office of the attorney is located for the investment of similar funds of insurance companies doing the same kind of business, in amount equal to fifty per centum of the net annual advance premiums or deposits collected and credited to the accounts of subscribers on policies having one year or less to run and *pro rata* on those for longer periods; or, in lieu thereof, one hundred per centum of the net unearned premiums or deposits collected and credited to the accounts of subscribers. Said assets shall not be charged as a liability. There shall also be maintained as a guaranty fund or surplus, an additional sum in cash or such securities amounting to not less than one hundred thousand (\$100,000.00) dollars in the case of employer's liability or workmen's compensation insurance and not less than fifty thousand (\$50,000.00) dollars for all other kinds of insurance. In addition to the foregoing requirements in the case of employer's liability, public liability, workmen's compensation and automobile insurance there shall be maintained as a claim or loss reserve in cash or such securities, assets sufficient to discharge all liabilities on all outstanding losses arising under policies issued, the same to be calculated in accordance with the laws of the state relating to similar reserves for companies insuring similar risks. If at any time the amounts on hand are less than the foregoing requirements, the subscribers or their attorney for them shall make up the deficiency: *Provided however*, that the guaranty fund or surplus requirements of this section, shall not apply to exchanges which are licensed on or before the date when this section shall become effective until January 1, 1923;

but such exchanges shall nevertheless maintain the assets first hereinabove provided for and also the claim and loss reserves as specified; and whenever as to such exchanges said assets and reserves are less than twenty-five thousand (\$25,000.00) dollars, plus such reserves, whichever is the greater, the subscribers or their attorney for them shall make up the deficiency. Net premiums or deposits as used in this law shall be construed to mean the advance premiums or deposits made by subscribers after deducting therefrom the amounts specifically provided in subscribers' agreements for expenses. Where funds other than those which have accrued from premiums or deposits of subscribers are supplied to make up a deficiency as herein provided for, same shall be deposited and held for the benefit of subscribers under such terms and conditions as the superintendent of insurance may require so long as a deficiency exists, thereafter to be returned to the depositors.

Sec. 6084. Annual statement of financial condition required.

Such attorney shall make an annual report to the superintendent of insurance for such calendar year, showing that the financial condition of affairs at the office where such contracts are issued is in accordance with the standard of solvency provided for herein and shall furnish such additional information and reports as may be required to show the total premiums or deposits collected, the total losses paid, the total amounts returned to subscribers and the amounts retained for expenses: *Provided, however*, that such attorney shall not be required to furnish the names and addresses of any subscribers. The business affairs and assets of said, reciprocal or inter-insurance exchanges, as shown at the office of the attorney thereof, shall be subject to examination by the superintendent of insurance, as often as he sees fit and the cost thereof shall be paid by the exchange examined.

Sec. 6085. Corporations generally empowered to become subscribers.

Any corporation now or hereafter organized under the laws of this state shall, in addition to the rights, powers and franchises specified in its articles of incorporation, have full power and authority to exchange insurance contract of the kind and character herein mentioned. The right to exchange such contracts is hereby declared to be incidental to the purposes for which such corporations are organized and as much granted as the rights and powers expressly conferred.

Sec. 6086. Penalty for acting without legal authority - superintendent authorized to issue temporary permit.

Any attorney who shall exchange any contracts of indemnity of the kind and character specified in this article, or directly or indirectly solicit or negotiate any applications for same without first complying with the foregoing provisions, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be subject to a fine of not less than one hundred dollars nor more than one thousand dollars: *Provided, however,* that the superintendent of insurance may, in his discretion and on such terms as he may prescribe, issue a permit for organization purposes, such permit to continue in force or be cancelled at the pleasure of the superintendent of insurance.

Sec. 6087. Certificate of authority from superintendent of insurance required - license may be revoked or suspended.

Each attorney by whom or through whom are issued any policies of or contracts for indemnity of the character referred to in this article shall procure from the superintendent of insurance annually a certificate of authority, stating that all of the requirements of this article have been complied with, and upon such compliance and the payment of the fees required by this article, the super-

intendent of insurance shall issue such certificate of authority. The superintendent of insurance may revoke or suspend any certificate of authority issued hereunder in case of breach of any of the conditions imposed by this article after reasonable notice has been given said attorney, in writing, so that he may appear and show cause why action should not be taken. Any attorney who may have procured a certificate of authority hereunder may renew same annually thereafter: *Provided, however,* that any certificate of authority shall continue in full force and effect until the new certificate of authority be issued or specifically refused.

Sec. 6088. License fee.

Such attorney shall pay as a fee for the issuance of the certificate of authority herein provided for, the sum of twenty dollars, which shall be in lieu of all license fees and taxes of whatever character in this state.

Sec. 6089. Exemption from other insurance laws except retaliatory law.

Except as herein provided no law of this state relating to insurance shall apply to the exchange of such indemnity contracts: *Provided, however,* that the provisions of the retaliatory law shall apply.

APPENDIX III.

Form of Power of Attorney Used by Subscribers at Manufacturing Lumbermen's Underwriters with Modification of May 1, 1933. From (Good-Norman) Report of Audit of October 19, 1937, p. 112 (Original Exhibits on File with Clerk).

APPLICATION FOR INSURANCE

MANUFACTURING LUMBERMEN'S UNDERWRITERS

1. We hereby make application to become a subscriber of Manufacturing Lumbermen's Underwriters, desiring to exchange indemnity with other subscribers with separate and limited liability.

2. NOW, THEREFORE, the undersigned as a subscriber of Manufacturing Lumbermen's Underwriters hereby appoint Rankin-Benedict Underwriting Company of Kansas City, Missouri, Attorney-in-fact for us and in our name, place and stead, to exchange indemnity with such other subscribers; to accept and make binding upon us applications from such subscribers for the exchange of such indemnity; to make, issue, subscribe, deliver, amend, modify, change, reinsure and cancel contracts therefor, containing such terms, clauses, warranties, conditions and agreements as our said Attorney shall deem proper; to perform or waive any agreements or stipulations of any such contracts; to give, receive and waive any notices or proofs of loss; to adjust, settle and pay all losses and claims under any such contract or other evidence of indemnity; to demand, collect, receive and receipt for all moneys due to or from us in connection with the exchange of indemnity herein authorized and to disburse same within the authority herein conferred; to appear for us in any suit, action or legal proceedings, and to institute, prosecute, defend, compromise or settle any suit, action or other legal proceeding or any claim that may arise out of any such contract; to do any and all things which in

the judgment of said Attorney may be necessary and proper for the protection of our interests in regard to any such contracts; and to do or perform any other or different acts that we ourselves could do in relation to any contract herein authorized.

3. Said Attorney is hereby specifically authorized for us and in our name to execute any and all documents and to do and perform all other acts which are now or may hereafter become necessary or advisable to effect compliance under the laws of any state concerning the exchange of indemnity contracts herein provided for, hereby confirming and adopting as binding upon us all appointments for service of process heretofore made.

4. The intent and purpose of this instrument is to clothe said Attorney with the power necessary to enable us through it to exchange indemnity with other subscribers; provided, however, that said Attorney shall have no power to make us jointly liable with any other subscriber, and every liability of whatever nature it is authorized to incur for us hereunder shall be in every case several and not joint.

5. There shall be no joint funds, but a separate, individual account shall be kept by our Attorney for us and for each subscriber, and all accounts shall be open at any time for inspection by either ourselves or the Advisory Committee.

6. Said Attorney shall not bind us on any one risk for an amount in excess of our annual premium deposits.

7. As compensation for the services to be performed hereunder, said Attorney shall be entitled to twenty per cent of all premium deposits made by us, and shall defray all expenses incident to the exchange of indemnity hereby authorized, except taxes, license fees, legal, re-insurance and brokerage expenses, expenses of adjustments (when made by independent adjusters), and ex-

penses incurred by the Advisory Committee, of which our account shall bear its pro rata share.

8. Advisory Committee composed of not less than seven subscribers shall be elected annually for a term expiring on the first Tuesday in December of each year, and in annually choosing successors our Attorney shall select a list to be voted upon, which list shall be approved by the then Advisory Committee and submitted to all subscribers for their vote on or before November 1st of each year. If the nominees so selected do not meet the approval of the subscribers, they may nominate a committee upon the signatures of ten per cent of all the subscribers and submit such list to the Attorney, who shall submit both lists to all subscribers for vote, and the seven nominees (or the number then constituting the committee) receiving the largest number of votes shall be declared elected. If any member of said committee shall cease to exchange indemnity with other subscribers, or if his power of attorney shall be revoked or cancelled, he shall cease to be a member of the committee. Said committee shall serve until their successors are chosen, any vacancies occurring in said committee to be filled by the remaining members until the following election.

9. In the government of said exchange of indemnity and in defining the duties of said Attorney, the Advisory Committee may adopt such rules and regulations as they may deem best, providing such rules and regulations do not conflict with any of the terms of this instrument.

10. Our said Attorney, with the approval of the Advisory Committee, shall have the power to assess us to an amount not exceeding the sum of our annual premium deposits to protect outstanding obligations created pursuant to this instrument, and we hereby agree to pay such assessment.

11. The Advisory Committee shall select a trustee, said trustee to be a trust company with a capital stock of at least one million dollars and a resident of Kansas City,

Missouri. All moneys belonging to us that may come into the hands of our Attorney shall be turned over to said Trustee, who shall thereupon pay to said Attorney the sums provided for under the terms of paragraph 7 hereof. The remaining portion of said funds shall be held by said trustee for us as our individual funds and shall be deposited by said trustee in such depositories or invested in such securities as may be approved by said Advisory Committee. All such funds so deposited by the trustee shall be deposited to the joint account of our Attorney and said trustee, and all withdrawals from such fund shall be by check signed by said Attorney and countersigned by said Trustee.

12. Our said Attorney shall give bond to said trustee for the safety of funds while in the possession of said Attorney in such sum as said Committee shall require.

13. In the event said Attorney shall fail or refuse to discharge its duties hereunder in a manner satisfactory to the Advisory Committee, said Committee upon a three-fourth vote may designate temporarily a substitute Attorney to act in its place and stead, and in said event said substitute Attorney shall be clothed with all the powers and duties hereby conferred on said Attorney.

14. The Advisory Committee shall set aside out of our savings a net surplus equal to twice the amount of our annual deposits and all other savings shall be returned to us annually in cash. It is provided, however, that said Committee may at their option authorize the return of a percentage of our savings before the full amount of such surplus fund has been accumulated. If policies hereunder are issued through brokers or at a deviated premium deposit, the foregoing provisions of this paragraph and the provisions of paragraphs five and ten do not apply to these policies.

15. In the event any contract of indemnity herein provided for shall be cancelled by our said Attorney an appeal may be had to the Advisory Committee, and if

said Committee shall decide that said contract should not have been cancelled the same shall be reinstated.

16. In the event any sum to be paid by us for current indemnity hereunder shall not be paid within thirty days after issuance of contract of indemnity to us, same shall bear interest at the rate of six per cent until paid, and in the event same shall not be fully paid within four months after the date of issuance of such contract, then failure to make such payment shall operate as a cancellation of such contract.

17. All books, files, surveys and other documents and instruments accumulated through the exchange of the indemnity herein provided for shall be considered as incident thereto and shall pass to the use and benefit of any and all succeeding Attorneys, without charge or cost to said succeeding Attorneys.

18. Said Attorney agrees that as a part of its duties to be performed it shall cause inspections to be made each year of all the lumber manufacturing properties covered by contracts of indemnity issued hereunder; provided, however, that an inspection of any such property may be omitted where unusual or extraordinary conditions beyond the control of said Attorney shall exist.

19. This instrument may be revoked or cancelled at any time by either party giving to the other party five days' notice in writing, and thereupon our Attorney shall cancel all unexpired indemnity exchanged by us through it and within thirty days return to us any funds belonging to us, including any net surplus to our credit.

20. The personal pronoun used to refer to the subscriber or Attorney shall apply regardless of number or gender.

IN WITNESS WHEREOF we have hereunto set our hand and seal this _____ day of _____ 19____, at _____

Witness: _____

By _____